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C O N F I D E N T I A L SECTION 01 OF 02 HO CHI MINH CITY 000047

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TAGS: [ECON](#) [KIPR](#) [EAID](#) [ETRD](#) [VM](#)
SUBJECT: HCMC ECONOMIC POLICE STRIKE AGAIN, MAKING GRAB FOR FAKE
VIAGRA

REF: REFTEL: A) HCMC 039

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CLASSIFIED BY: Ken Fairfax, Consul General, Ho Chi Minh City,
Department of State.
REASON: 1.4 (b)

11. (C) Summary: Economic police in HCMC conducted another head-line grabbing IPR bust on January 25, this time breaking up a large counterfeit pharmaceutical ring. The ring ran under the guise of a legally-registered local pharmaceutical firm that purchased domestically-produced pills then re-packaged them under top-selling foreign brands for distribution to dozens of pharmacies throughout the city. City government sources say that the serious nature of the threat to consumers makes it almost certain that the 14 people arrested will be prosecuted criminally. Notably, Pfizer's Director of Global Security raved about the professionalism of Vietnam's police enforcers, particularly when compared with its neighbors like Thailand. End Summary.

Fake Pharmaceuticals Under the Cover of Legitimate Company

12. (SBU) On January 25, 50 members of the HCMC economic police conducted simultaneous raids around the city, bringing down a major counterfeit pharmaceutical ring and arresting dozens of suspects. Harry Waskiewicz, Director of Global Security for Pfizer Corporation, told EconOff that police raided six production facilities, six storage facilities, and one packaging center. Media reports noted that the leader, Huynh Ngoc Quang, who is director of joint-stock company 'Viet-Phap' (literally Vietnamese-French) Pharmaceuticals, a legally-registered corporation, managed to escape the initial raid but was arrested a few days later and has since been held in solitary confinement. Quang faces criminal charges for producing and selling fake medicine.

13. (SBU) Mr. Quang reportedly bought medicine made in Vietnam and used Viet-Phap Corporation facilities, as well as other outlets around the city, to produce strips and boxes that looked like imported pharmaceuticals. One of Mr. Quang's employees told reporters that he worked daily from 9a.m. to 4 p.m. putting around 10,000-30,000 fake tablets into 1,000 strips a day. Once in their new packaging, pills were distributed to legitimate pharmacies throughout the city. During the bust, police reportedly seized more than 50 boxes of fake foreign medicine as

well as the equipment for production and counterfeit cases. Mr. Waskiewicz noted that counterfeit Viagra was among the key foreign brands being packaged, along with Eli Lilly's Cialis, Novartis-branded products, and many others.

Pfizer Showers Kudos on Vietnam's Economic Police

14. (SBU) Mr. Waskiewicz, who has worked on IPR violation cases in South East Asia for the last seven years, said that he has been "extremely impressed" by the professionalism and the initiative of the investigative police in Vietnam. He noted that his security team has had a series of cooperative efforts with police on counterfeit pharmaceutical cases involving Pfizer over the years, though this bust was by far the largest. He said police launched the investigation entirely on their own beginning in October, employing elaborate surveillance and wiretapping measures. Armed with intelligence that Pfizer products were among the infringed goods, they notified the Pfizer consultant in Vietnam about the investigation and the next steps.

15. (C) Mr. Waskiewicz emphasized the sharp contrast between the recent HCMC case and similar counterfeit pharmaceutical cases in Thailand, in which his team would have to acquire as much incriminating evidence as possible and hand over all their intelligence to authorities "on a silver platter." At best, Thai police would then seize the goods, but would not go a step beyond to investigate possible links to other rings, scour copies of sales records or prosecute the perpetrators. In contrast, he said, Vietnamese police tend to act totally of their own accord. Waskiewicz said he didn't know what motivates them, but stressed that Vietnam's investigative police have "never once asked for a dime" from Pfizer for their cooperation. In contrast, police in Thailand, he said "won't lift a finger

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unless there's a direct financial incentive involved." He surmised that Vietnam's police's motivation might to some degree come from a sense of duty, noting that a high level police official he'd dealt with on another case had once received FBI training and told Waskiewicz he felt obligated to "return the favor."

Don't Mess with the Public's Health

16. (SBU) The quality of investigations and the willingness of police to act, in Mr. Waskiewicz' experience, has been equally true when Pfizer has dealt with Hanoi's police force in counterfeit cases along the northern Chinese border. In fact, he said he was taken aback when the former deputy director of the economic police in Hanoi once said passionately that pharmaceutical infringers deserved the "death penalty" for their crimes.

17. (SBU) While the death penalty is unlikely in this case, Mr. Waskiewicz said it wasn't even a question that the ring leaders would be prosecuted criminally. HCMC police told him that all of the suspects were being held in solitary confinement and would likely remain there until their trial, possibly more than a year out due to the complexities of the case. Authorities also told him that the ringleaders were expected to receive a seven to ten year sentence, while the accomplices would likely get three to seven years.

Comment

18. (SBU) Three aspects of this story jump out: the praise that Mr. Waskiewicz showered on Vietnam's investigative police force, his mention that police don't need "incentives" to take action, and the quote that FBI training motivated police to better enforce Vietnam's IPR law. Still, GVN authorities are only beginning to understand the importance of protecting IPR on its own merits. IPR violations are not pursued with the same vigor as crimes that endanger public health or involve politically sensitive materials. Thus, rights holders that have their goods counterfeited or copied without associated consumer safety or political concerns aren't likely to see deterring penalties, i.e. criminal prosecution, applied to their cases. However, if counterfeit products are dangerous to consumers, IP rights holders like Pfizer can ride the coattails of harsher punishment. Whatever the motivating factor for increased police action on counterfeit goods, the latest crackdowns are an encouraging step in the right direction. End Comment.
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